

TISSUEMED LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

Company Registration Number 1902503

TISSUEMED LIMITED
OFFICERS AND PROFESSIONAL ADVISERS
YEAR ENDED 31 MARCH 2014

| | |
|-------------------------------|---|
| The board of directors | Paul L. Banner Jeremy D. Sampson David J. Mandley |
| Company secretary | Judith Whitworth |
| Business address | 5 Killingbeck Drive Leeds West Yorkshire LS14 6UF |
| Registered office | 5 Killingbeck Drive Leeds West Yorkshire LS14 6UF |
| Auditor | Baker Tilly UK Audit LLP Chartered Accountants 2 Whitehall Quay Leeds LS1 4HG |

TISSUEMED LIMITED
DIRECTORS' REPORT
YEAR ENDED 31 MARCH 2014

The directors present their report and the financial statements of the company for the year ended 31 March 2014.

Principal activities

The principal activity of the company is the design, development, manufacture and sale of innovative adhesive medical devices for use in internal surgical procedures. The devices are based on the company's proprietary TissueBond bioadhesive technology and through its family of TissuePatch™ products are designed to improve clinical outcomes and provide cost benefits to hospitals.

Directors

The directors who served the company during the year were as follows:

Paul L. Banner
Jeremy D. Sampson
David J. Mandley

Directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are, individually, aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- each director has taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

TISSUEMED LIMITED
DIRECTORS' REPORT *(continued)*
YEAR ENDED 31 MARCH 2014

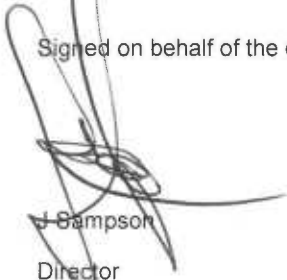
Auditor

Baker Tilly Audit Limited ceased trading on 31 March 2014. The directors, having been notified of the cessation of trade of Baker Tilly Audit Limited, appointed Baker Tilly UK Audit LLP as auditor on 1 April 2014 to fill the casual vacancy. In accordance with the Companies Act 2006 a resolution proposing the appointment of Baker Tilly UK Audit LLP as auditor will be put to the members.

Small company provisions

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

Signed on behalf of the directors



J Sampson

Director

Approved by the directors on 31/3/2014

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TISSUEMED LIMITED

We have audited the financial statements on pages 6 to 12. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (Effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities Statement set out on pages 2 to 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.


**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
TISSUEMED LIMITED (CONTINUED)**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption from the requirement to prepare a strategic report or in preparing the directors' report.

Neil Sevitt, Senior Statutory Auditor
For and on behalf of


Baker Tilly UK Audit LLP, Statutory Auditor
Chartered Accountants
2 Whitehall Quay
Leeds
LS1 4HG

4th August 2014

TISSUEMED LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 MARCH 2014

| | Note | 2014 £ | 2013 £ |
|--|------|------------------|------------------|
| Turnover | 2 | 667,676 | 585,366 |
| Cost of sales | | (99,074) | (91,657) |
| Gross profit | | <u>568,602</u> | <u>493,709</u> |
| Research & development | | (240,888) | (349,093) |
| Administrative expenses | | (662,183) | (593,750) |
| Other operating income | 3 | 1,100 | 200,026 |
| Operating loss | 4 | <u>(333,369)</u> | <u>(249,108)</u> |
| Interest receivable | | 17,604 | 58,857 |
| Loss on ordinary activities before taxation | | <u>(315,765)</u> | <u>(190,251)</u> |
| Tax on loss on ordinary activities | 6 | 59,970 | 62,372 |
| Loss for the financial year | | <u>(255,795)</u> | <u>(127,879)</u> |

The notes on pages 8 to 12 form part of these financial statements.

TISSUEMED LIMITED
Registered Number 1902503

BALANCE SHEET


31 MARCH 2014

| | Note | 2014 £ | £ | 2013 £ | £ |
|---|------|------------------|------------------|------------------|------------------|
| Fixed assets | | | | | |
| Tangible assets | 7 | | 21,467 | | 24,537 |
| Current assets | | | | | |
| Stocks | | 62,797 | | 41,476 | |
| Debtors | 8 | 200,784 | | 186,159 | |
| Cash at bank | | 1,836,016 | | 2,096,904 | |
| | | <u>2,099,597</u> | | <u>2,324,539</u> | |
| Creditors: Amounts falling due within one year | 9 | <u>(143,796)</u> | | <u>(116,013)</u> | |
| Net current assets | | | 1,955,801 | | 2,208,526 |
| Total assets less current liabilities | | | <u>1,977,268</u> | | <u>2,233,063</u> |
| Capital and reserves | | | | | |
| Called-up share capital | 12 | | 11,290,744 | | 11,290,744 |
| Share premium account | 13 | | 8,274,086 | | 8,274,086 |
| Profit and loss account | 14 | | (17,587,562) | | (17,331,767) |
| Shareholders' funds | | | <u>1,977,268</u> | | <u>2,233,063</u> |

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and with the Financial Reporting Standard for Smaller Entities (effective April 2008).

These accounts were approved by the directors and authorised for issue on 31/7/2014, and are signed on their behalf by:

J Sampson
Director



The notes on pages 8 to 12 form part of these financial statements.

TISSUEMED LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2014

1. Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

Going Concern

The directors have considered the company's financial position. The company has net current assets £1,955,801 (2013: £2,208,526), and budgeted projections show that the company will be able to meet its liabilities as they fall due. Therefore the directors consider it appropriate to prepare the financial statements on a going concern basis.

Turnover

The turnover shown in the profit and loss account represents the value of all goods sold during the period, less returns received, at selling price exclusive of Value Added Tax. Sales are recognised at the point at which the company has fulfilled its contractual obligations and the risks and rewards attaching to the product, such as obsolescence, have been transferred to the customer.

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Cost represents purchase price together with any incidental costs of acquisition.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, net of anticipated disposal proceeds, over the useful economic life of that asset as follows:

| | | |
|---------------------|---|-------------------------------|
| Fixtures & Fittings | - | 20% - 33% straight line basis |
| Equipment | - | 20% straight line basis |

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Net realisable value is the anticipated sales proceeds less any costs of disposal.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year. The assets of the scheme are held separately from those of the company in an independently administered fund.

TISSUEMED LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2014

1. Accounting policies (continued)

Foreign currencies

Transactions denominated in foreign currencies are recorded at the rates of exchange ruling at the dates of the transactions, or at an average rate for the period if the rates do not fluctuate significantly. Monetary assets and liabilities are translated at year end exchange rates or, where appropriate, at rates of exchange fixed under the terms of the relevant transaction. The resulting exchange rate differences are charged to the profit and loss account.

Research and development expenditure

Expenditure on research and development incurred in the year other than on fixed assets is charged against profit.

2. Turnover

Overseas turnover amounted to 79.78% (2013 - 80.09%) of the total turnover for the year.

3. Other operating income

| | 2014 | 2013 |
|------------------------|--------------|----------------|
| | £ | £ |
| Grant income | 1,100 | 2,400 |
| Other operating income | — | 197,626 |
| | <u>1,100</u> | <u>200,026</u> |

4. Operating loss

Operating loss is stated after charging/(crediting):

| | 2014 | 2013 |
|---|---------------|---------------|
| | £ | £ |
| Depreciation of owned fixed assets | 13,095 | 29,487 |
| Auditors remuneration | 3,550 | 4,786 |
| Net loss/(profit) on foreign currency translation | 26,070 | (5,701) |
| | <u>42,715</u> | <u>28,572</u> |

5. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services were:

| | 2014 | 2013 |
|--|----------------|----------------|
| | £ | £ |
| Aggregate remuneration | 175,652 | 182,762 |
| Value of company pension contributions to money purchase schemes | 4,500 | 4,500 |
| | <u>180,152</u> | <u>187,262</u> |

The number of directors on whose behalf the company made pension contributions was as follows:

| | 2014 | 2013 |
|------------------------|-------------|-------------|
| | No | No |
| Money purchase schemes | <u>1</u> | <u>1</u> |

TISSUEMED LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2014

6. Taxation on ordinary activities

Analysis of charge in the year

| | 2014 £ | 2013 £ |
|--------------------|-------------------------|-------------------------|
| UK Corporation tax | (59,970) | (62,372) |

7. Tangible fixed assets

| | Fixtures and Fittings £ | Equipment £ | Total £ |
|-----------------------|--|------------------------------|--------------------------|
| Cost | | | |
| At 1 April 2013 | 282,838 | 376,574 | 659,412 |
| Additions | 11,656 | – | 11,656 |
| At 31 March 2014 | <u>294,494</u> | <u>376,574</u> | <u>671,068</u> |
| Depreciation | | | |
| At 1 April 2013 | 270,404 | 364,471 | 634,875 |
| Charge for the year | 8,334 | 6,392 | 14,726 |
| At 31 March 2014 | <u>278,738</u> | <u>370,863</u> | <u>649,601</u> |
| Net book value | | | |
| At 31 March 2014 | <u>15,756</u> | <u>5,711</u> | <u>21,467</u> |
| At 31 March 2013 | <u>12,434</u> | <u>12,103</u> | <u>24,537</u> |

8. Debtors

| | 2014 £ | 2013 £ |
|---------------------------|-------------------------|-------------------------|
| Trade debtors | 92,737 | 105,165 |
| Corporation tax repayable | 59,961 | 62,372 |
| VAT recoverable | 6,490 | 1,865 |
| Other debtors | 41,596 | 16,757 |
| | <u>200,784</u> | <u>186,159</u> |

9. Creditors: Amounts falling due within one year

| | 2014 £ | 2013 £ |
|------------------------------------|-------------------------|-------------------------|
| Trade creditors | 85,608 | 60,523 |
| Other taxation and social security | 15,704 | 9,308 |
| Other creditors | 42,484 | 46,182 |
| | <u>143,796</u> | <u>116,013</u> |

TISSUEMED LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2014

10. Pensions

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £17,490 (2013 - £18,039).

There were no outstanding or prepaid contributions at the beginning of the financial year, however there was £375 outstanding at the year end.

11. Commitments under operating leases

At 31 March 2014 the company had aggregate annual commitments under non-cancellable operating leases as set out below.

| | 2014 | 2013 |
|--------------------------------|---------------|---------------|
| | £ | £ |
| Operating leases which expire: | | |
| Within 1 year | 2,938 | 2,588 |
| Within 2 to 5 years | 46,680 | 51,717 |
| | <u>49,618</u> | <u>54,305</u> |

12. Share capital

Allotted, called up and fully paid:

| | 2014 | | 2013 | |
|--------------------------------|--------------------|-------------------|--------------------|-------------------|
| | No | £ | No | £ |
| Ordinary shares of £0.01 each | 5,003,137 | 50,031 | 5,003,137 | 50,031 |
| Ordinary shares of £0.50 each | 911,460 | 455,730 | 911,460 | 455,730 |
| Ordinary shares of £0.25 each | 36,296,599 | 9,074,150 | 36,296,599 | 9,074,150 |
| Ordinary shares of £0.005 each | 342,166,666 | 1,710,833 | 342,166,666 | 1,710,833 |
| | <u>384,377,862</u> | <u>11,290,744</u> | <u>384,377,862</u> | <u>11,290,744</u> |

Paul L. Banner has options to acquire 994,681 ordinary shares of 0.5 pence each at an exercise price of 4.5 pence per share.

David J. Mandley has options to acquire 642,800 ordinary shares of 0.5 pence each at an exercise price of 2.0 pence per share.

13. Share premium account

There was no movement on the share premium account during the financial year.

TISSUEMED LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2014

14. Profit and loss account

| | 2014 £ | 2013 £ |
|-----------------------------|---------------------|---------------------|
| Balance brought forward | (17,331,767) | (17,203,888) |
| Loss for the financial year | <u>(255,795)</u> | <u>(127,879)</u> |
| Balance carried forward | <u>(17,587,562)</u> | <u>(17,331,767)</u> |

15. Ultimate controlling party

The company is not controlled by any one party.